

WATER VALUATION REPORTS

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

The sale of water rights is a new and emerging market. The reports are intended to provide the department with information and decision making tools for future leases and easements for the purpose of securing full market value for the sale of water rights.

Water right circumstances are case-specific, statewide or regional generalizations and are not reliable.

PERMITS FOR WATER DIVERSION ON OR ACROSS TRUST LANDS

Compensation for the encumbrance on the land.

STATE WATER RIGHT WITH POINT OF DIVERSION ON STATE LAND AND PLACE OF USE IS OFF OF TRUST LANDS

Factors that influence value of water and access to the water right

Quality: saline, etc.

Timing: annual or limited time periods

Supply Options: can the party access another property for water; tying into existing water supply systems development of alternative water source.

Quantity: amount of water available to party.

End Use: The end use of the water also influences the value of the access to the water.

Municipalities and industrial users. Bozeman, Great Falls and Whitefish are looking for new water sources.

Open and Closed Basin/ reliability or right: Can a water right be obtained, senior water rights secured, etc.

VALUATION METHODOLOGIES

Comparable Sales: Compares subject water rights with similar water rights.

Comparison: Highest and Best Use, season of use, location, transferability and end use

Land Price Differential: Compares value of state property with water rights to property without water rights or paired sales analysis.

Replacement Cost Approach: Potential party will determine the value of the subject water right by evaluating the cost of their alternative supplies.

Income Capitalization: Captures the value of forgone net income from operation that utilizes water as an input to the operation.